

Message Text

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UNCLAS JAKARTA 15718

E.O. 11652: N/A

TAGS: BENC, BAGB, ID

SUBJECT: MAJOR PROJECT/ SUGAR MILLS

REF: A) STATE 294139

1. DR. SALEH AFFIF TOLD TURK AND COMMERCIAL ATTACHE THAT, CONTRACT FOR ONE OF SIX TENDERED SUGAR MILLS HAS BEEN AWARDED TO FRENCH, NEGOTIATIONS ARE CONTINUING WITH BRITISH COMPANIES FOR TWO MILLS, DUTCH FOR ONE MILL AND GERMANS FOR ONE MILL. SIXTH MILL, SALEH SAID, IS BEING POSTPONED "INDEFINITELY." SALEH DID NOT SAY HOW MANY OF FOUR MILLS UNDER NEGOTIATION WILL BE AWARDED THIS FISCAL YEAR.

2. REASON FOR POSTPONING SIXTH, AND POSSIBLY SECOND THROUGH FIFTH MILLS, RELATED TO GOI FINANCIAL SITUATION AND GOVERNMENT'S DECISION, SUPPORTED BY IGGI, TO LIMIT BORROWING ON COMMERCIAL AND EXPORT CREDIT TERMS.

3. NEWLY APPOINTED ARKEL REGIONAL REP, BERNARD RAAT, TOLD EMBOFF DURING VISIT TO JAKARTA IN NOVEMBER THAT ARKEL WAS ABOUT TO SIGN CONTRACT FOR FEASIBILITY STUDY FOR A PRIVATE MILL IN BANYUWANGI. ACCORDING TO RAAT, AN ORGANIZATION CALLED SUBUD, WHICH HAS A LICENSE FOR A SUGAR MILL IN BANYUWANGI, HAS ASKED THE COMPANY MANDUKISMO TO ARRANGE FOR THE CONSTRUCTION OF A MILL WITH A CAPACITY OF 2-3000 METRIC TON DAILY AND TO MANAGE THE PLANT AFTER CONSTRUCTION. MANDUKISMO, THE OWNERSHIP OF WHICH IS DIVIDED BETWEEN THE SULTAN OF
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YOGYAKARTA (THE VICE-PRESIDENT) (18P.C.) AND THE

MINISTRY OF FINANCE (82P.C.), CURRENTLY OPERATES A
MILL NEAR YOGYAKARTA. RAAT WAS IN TOWN TO NEGOTIATE
WITH MANDUKISMO A CONTRACT, WORTH ABOUT \$120,000,
TO DO A FULL FEASIBILITY STUDY FOR THE PROJECT. ARKEL
HOPES TO GET THE FOLLOW ON CONSTRUCTION PROJECT ALSO
AND LOOKS AT THIS PROJECT AS OPPORTUNITY TO "GET A FOOT
IN THE DOOR" AND ESTABLISH ITS REPUTATION IN
INDONESIA. RAAT ALSO EXPRESSED THE OPINOION THAT THE
BENCULUK MILL MAY NEVER BE BUILT BUT THAT THIS
"PRIVATE" PROJECT MAY IN THE END REPLACE IT. ARKEL HAS
NOT INFORMED EMBASSY OF OUTCOME ITS NEGOTIATIONS
WITH MANDUKISMO.
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